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Date: 2/26/2015
GAIN Report Number: HK1505

Hong Kong

Post: Hong Kong

Organic Products Market

Report Categories:

Special Certification - Organic/Kosher/Halal

Product Brief

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Report Highlights:

Growing demand from sophisticated consumers and an absence of trade barriers has resulted in Hong Kong's rise to the 7th largest market for selected U.S. organic exports, valued at \$8 million in 2014. A government study suggests additional public education on the organic sector would support its continued development in Hong Kong.

General Information:

Continued concern about the safety of food products, following a string of reported safety violations in the Asian region, keeps consumers keenly aware of food safety vulnerabilities. This is especially true in Hong Kong where 95% of food requirements are met by imported products. In response, consumers are looking for safe, high-quality food choices such as those found in the organic sector, which are perceived to be more natural and nutritious than conventional foods.

According to a 2012 survey conducted by Hong Kong Organic Resource Center (HKORC), 60 percent of respondents surveyed (616) had purchased organic products, 30 percent of whom purchase organic food at least once a week and 3 percent on a daily basis, which was higher than the 1 percent level recorded in a similar survey in 2008. 16.2 percent of consumers had monthly purchases of over HK\$500 (US\$64) on organic food, a figure much higher than the 9 percent in the previous survey.

Produce is the most popular organic product category in Hong Kong, followed by baby food, cereal, dairy and soymilk products, and meat products. The majority of the organic produce in Hong Kong is grown locally. Prepackaged organic foods are imported primarily from Europe, Australia and the U.S.

In addition to the growing popularity of organic food products, non-food items are increasingly available in supermarkets in recent years. In addition, small-scale specialty retailers are focusing on sales of health/organic foods and food supplements.

Regulation:

Organic products for sale in Hong Kong are not subject to specific legislation for organic certification with regard to standards or labeling and are subject to the same food regulation as conventional foods. Voluntary organic certification is available (see “Organic Certification” below) and Hong Kong allows the use of organic logos on products certified by foreign authorities.

This open regulatory approach favors the growth of Hong Kong’s organic market as imports do not have to meet Hong Kong pre-import organic standards and can be sourced globally to the benefit of consumers. The Hong Kong government has not indicated any plans to introduce legislative control on organic products. Legislative control at this stage could reduce consumer choices because supplies from overseas may be reduced if Hong Kong-specific organic certification is not economically feasible.

According to the consultancy study commissioned by the HK government in 2013, the organic market in Hong Kong warrants more education for consumers in terms of the production method and the meaning of the organic logo. The focus is to strengthen consumer education and raise product

awareness.

U.S. Export of Organic Products to Hong Kong:

While U.S. statistics show total U.S. organic food exports to Hong Kong at \$7.7 million in 2014, the total figure may actually be higher as the export value data captures only a selected variety of organic food products, mostly horticultural products. The export value of many processed organic food items which are found in high-end supermarkets and specialty shops in Hong Kong are not captured in the U.S. organic food export figures.

Table 1: U.S. Export Value of Organic-Selected Products to Hong Kong, in US\$ thousand

	2012	2013	2014	
Product	Value	Value	Value	Period/Period % Change (Value)
Organic Oranges Fr/Dr	1,130	1,219	2,479	103
Organic Cult Blueberries Fresh	777	459	1,610	251
Organic Lemons Fr/Dr	241	82	1,269	1,447
Organic Cherries Fresh	412	757	875	16
Organic Apples Fresh	1,097	843	378	-55
Organic Grapefruit Fresh	25	114	254	123
Organic Lettuce Not Head Fr/Ch	0	103	154	50
Organic Cherry Tomato Fr/Ch	25	0	139	
Organic Grapes Fresh	48	96	128	33
Organic Pears Fresh	0	5	90	1,693
Organic Coffee Roast Not Decaf	1,861	20	73	269
Organic Potatoes Fr/Ch Xsd Oth	0	0	50	
Organic Strawberries Fresh	894	100	46	-54
Organic Tomato Sauce Ex Ketchp	26	32	35	10
Organic Head Lettuce Fr/Ch	0	0	34	
Organic Onion Sets Fr/Ch	0	0	29	
Organic Cauliflower Fr/Ch	118	0	21	
Organic Celery Fr/Ch	180	0	12	
Organic Broccoli Fr/Ch	0	0	0	
Total Organics-Selected	6,833	3,830	7,674	100

Notes:

1. Data Source: U.S. Census Bureau Trade Data
2. Organics-Selected: The organic product group only includes selected codes.
3. Product Group: Organics-Selected

Table 2: U.S. Export Value of Organic-Selected Products by Markets, in US\$ thousand

	2012	2013	2014	
Partner	Value	Value	Value	Period/Period % Change (Value)

World Total	447,928	537,594	553,150	3
Canada	226,382	257,532	264,210	3
Mexico	129,771	185,752	167,029	-10
Japan	26,538	22,727	26,665	17
Taiwan	15,742	12,207	16,440	35
Australia	6,790	11,581	12,032	4
United Kingdom	3,844	5,224	9,530	82
Hong Kong	6,833	3,830	7,674	100
United Arab Emirates	1,236	3,846	7,670	99
Korea, South	4,185	4,941	4,689	-5
Singapore	2,462	2,472	3,557	44
China	2,328	1,556	2,877	85

Note:

1. Data Source: U.S. Census Bureau Trade Data
2. Organics-Selected: The organic product group only includes selected codes.
2. Product Group: Organics-Selected

Organic Certification in Hong Kong:

There are two certification bodies in Hong Kong, namely the Hong Kong Organic Resource Center (HKORC) and Hong Kong Organic Certification Center (HKOCC), for voluntary organic certification.



In 2004, the HKORC established a certification standard based on the International Federation of Organic Agriculture Movement (IFOAM), with subsequent modifications suiting the local situation. The HKORC has developed the “Organic Production, Aquaculture and Processing Standard” that makes producers/processors eligible to carry an organic label once certified that the production system complies with the established organic standard. There

are three types of logos with different applicable conditions.

<p>有機產品 Organic 香港有機資源中心 HKORC</p>	<p>有機產品 (轉型) Organic (In Conversion) 香港有機資源中心 HKORC</p>	<p>含有機成分 產品 Made with Organic 香港有機資源中心 HKORC</p>
<p>Organic Produce or Products with not less than 95% of organic ingredients</p>	<p>Products produced from farmland that applied for conversion</p>	<p>Products with not less than 70% but not more than 95% of organic ingredients</p>

Currently, HKORC has certified about 140 operators, with the majority engaged in crop production

(some still in the conversion stage), 6 in aquaculture and 5 in food processing.

Separately, the HKOCC provides organic certification under its standard which differs from the HKORC. There are about 22 certified members; most of them in China. Their members are entitled to use the following logo.



USDA Organic Certification in Hong Kong:

Given the positive reception of the USDA organic logo in Hong Kong, food manufacturers/processors in the region pursue USDA organic certification for products selling in the domestic markets and for export overseas. A full [list of certifying agents](#) for the U.S. National Organic Program, which operates under the Agricultural Marketing Service of U.S. Department of Agriculture, is available at the website.

Many of these certifying agents can certify operations overseas. As of February 2015, there were 9 USDA [organic certified operations](#) in China, one with headquarters in Hong Kong. Most of the certified operations are involved in tea.

Local Production:

In the 1990s, in recognition that organic farming could provide viable competition to imported vegetables from China, the Hong Kong Government (HKG) established a system of technical support to transition interested farmers to organic systems. As of August 2014, Hong Kong had 514 organic farms, of which 130 had been certified organic and represented about 10 percent of local vegetable production. Total local vegetable production (16,300 MT in 2013) accounted for 2% of total consumption, so the organic component is very small. In recent years, the lure of strong profits has raised the profile for organic aquaculture, despite a large capital investment. Organic aquaculture production, though small, is expected to increase in the future.

Challenges:

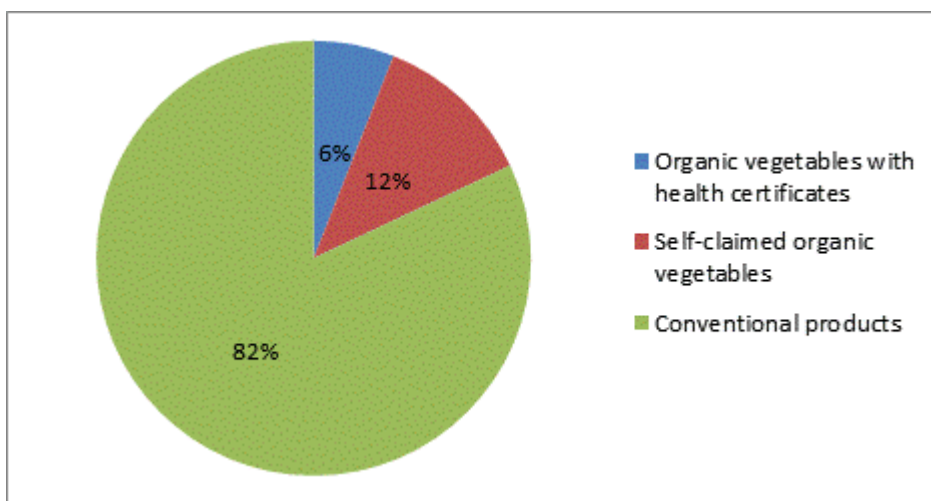
False Labeling

Regional difficulties with fake labels continue to plague the organic industry. Vegetables, a popular

organic food item in Hong Kong, are often sold in wet markets at a premium price which can be more than double that of a conventional product. This premium entices some retailers to offer self-claimed organic vegetables without proof of valid organic certification. Consumers then become hesitant to pay premium prices for organic products.

For example, in early 2015, the HKORC surveyed 425 vegetable stalls in local wet markets. Six percent of the respondents could prove the validity of the labels on organic products for sale while 12 percent failed to produce valid certificates for organic products offered at their stall. Despite a false labeling ordinance, prosecution of “falsely” labeled organic products is a challenge for authorities though due to the lack of an organic standard in Hong Kong.

Figure : Table showing the proportion of certified and self-claimed organic products, 2015



Source : Hong Kong Organic Resource Center

However, processed organic products and imported produce sold at high-end supermarkets are generally perceived by consumers with confidence when labeled as organic.